ANNUAL REPORT

APRIL 30

1975

CANADIAN EXPORT GAS & OIL LTD.

CANADIAN EXPORT CEGO GAS & OIL LTD.

DIRECTORS	JOHN DRYBROUGH, Winnipeg Director of Newmont Mining Corporation of Canada Limited
	PAUL C. EVANS, Calgary President and Chief Executive Officer of the Company
	FRANCIS KERNAN, New York Honorary Director and Consultant of White, Weld & Co. Incorporated
	P. C. LAUINGER, Tulsa Chairman of the Board The Petroleum Publishing Company
	PLATO MALOZEMOFF, New York Chairman of the Board, Chief Executive Officer and a Director of Newmont Mining Corporation
	MILTON H. MANDEL, New York An Attorney-at-Law
	ROBERT S. MOEHLMAN, Houston President of Newmont Oil Company
	JOHN D. PETRIE, Calgary Partner of the Law Firm of Cromarty, Petrie & Bridges
	FRANZ SCHNEIDER, New York Financial Consultant
OFFICERS	ROBERT S. MOEHLMAN, Chairman of the Board PAUL C. EVANS, President and Chief Executive Officer W. P. HANCOCK, Vice-President – Exploration DEREK N. WALKER, Secretary-Treasurer
HEAD OFFICE	736 - 8th Avenue S.W., Calgary, Alberta T2P 1H4
SUBSIDIARIES	Canadian Export Gas & Oil Inc. Canadian Export Gas & Oil (U.K.) Limited
SHARES LISTED	American Stock Exchange, New York Midwest Stock Exchange, Chicago The Toronto Stock Exchange
TRANSFER AGENTS	Crown Trust Company, Calgary and Toronto Harris Trust and Savings Bank, Chicago Bankers Trust Company, New York
REGISTRARS	Crown Trust Company, Calgary and Toronto American National Bank and Trust Company, Chicago The Bank of New York, New York
AUDITORS	Peat, Marwick, Mitchell & Co., Calgary

DESCRIPTION OF BUSINESS ACTIVITY IN THE LAST FISCAL YEAR

Canadian Export Gas & Oil Ltd. and its two wholly-owned Subsidiary Companies carried out exploration and development of oil and gas properties both in Canada and abroad.

In Canada, exploration expenditures were mainly concentrated in the home Province of Alberta and the frontier regions. Substantially all development expenditures were in Alberta.

Outside Canada, exploration expenditures were higher than in previous years, mostly in the U.K. sector of the North Sea and the United States. There was only minor development expenditure, all in the United States.

The Company participated in the drilling of 38 wells, resulting in 3 oil discoveries, 5 gas discoveries, 8 development oil wells, 11 development gas wells and 11 dry holes.

Operations were entirely financed by internally generated funds and the Company was debt free throughout the year. Over 90% of the operating income was received from oil and gas sales in Alberta, the remaining income originating in the other Western Canadian Provinces.

Copies of the Company's 1975 10-K Report, as filed with the United States Securities and Exchange Commission, will be provided without charge to any shareholder upon written request to the Secretary-Treasurer at the Company's Head Office.

HIGHLIGHTS · 1975

		1974-75	1973-74
*PRODUCTION:			
Oil and Gas Liquids – Annual	Barrels	680,120	742,613
– Daily Average	Barrels	1,863	2,034
Natural Gas – Annual	Billion Cubic Feet	9.795	9.697
– Daily Average	Million Cubic Feet	27	27
Sulphur – Annual	Long Tons	19,315	19,717
– Daily Average	Long Tons	53	54
EARNINGS:			
Gross operating income		$6,121,000	$4,095,000
Working capital provided from operations		$3,905,000	$2,721,000
Per Share		48¢	33¢
Net earnings before income taxes		$2,688,000	$ 904,000
Per Share		33¢	11¢
Net earnings		$1,788,000	$ 551,000
Per Share		22¢	7¢
CAPITAL INVESTMENT:			
Exploration		$2,842,000	$2,718,000
Development		$1,406,000	$ 884,000
WORKING CAPITAL		$ 770,000	$1,015,000
LAND HOLDINGS:			
Canadian – Gross acres		4,650,000	4,890,000
Net acres		2,188,000	2,345,000
Foreign – Gross acres		7,131,000	7,140,000
Net acres		1,189,000	1,730,000

* The Company's share of production is reported before deduction of royalties. 1973-74 was previously shown net after royalties and has been restated for comparative purposes.

ANNUAL MEETING

The 1975 Annual General Meeting of shareholders will be held on July 24, 1975, at 2:15 P.M. at the Company's Head Office, 736 - 8th Avenue S.W., Calgary, Alberta.

Report to the Shareholders:

HIGHLIGHTS

- Oil discovered in Jurassic sands at North Sea well.
- Two successful step-out wells extending Caroline oil field, Alberta.
- Deeper pool gas discovery in the Viking formation at Hilda, Alberta.
- Two gas discoveries in the Marten Hills area, Alberta.

FINANCIAL

As compared with last year, significant increases were recorded:

	1975	1974	Increase
Gross Income	$6,121,000	$4,095,000	50%
Working capital provided from operations	3,905,000	2,721,000	44%
Net Earnings	1,788,000	551,000	3.2 times

The $1,788,000 net earnings, equivalent to 22¢ per share, represents a 10% return on invested capital.

PRODUCTION

Oil and gas liquid production declined 8% and gas production increased 1% as compared to the previous year. In accordance with the practice of many Canadian companies, production figures are being presented in this report on a gross working interest basis rather than net after royalty. This is because provincial royalty is not a fixed percentage but a variable related to fluctuations in price of gas and monthly deliveries of oil. For comparative purposes the total Company production is tabulated below.

Barrels of Crude Oil and Natural Gas Liquids	1975	1974	Change
Gross Barrels	680,000	743,000	— 8%
Less Provincial Royalties	171,300	116,900	
	508,700	626,100	
Oil & Gas Liquids Sales			
Total Dollars	$3,093,000	$2,267,000	+36%
Per Gross Barrel	$4.55	$3.05	
Per Gross Imp. Gallon	.130	.087	
Natural Gas			
Gross MMCF	9,800	9,700	+ 1%
Less Provincial Royalties	2,600	1,800	
Net MMCF	7,200	7,900	
Natural Gas Sales			
Total Dollars	$2,769,000	$1,585,000	+75%
Per Gross MCF	.283	.163	

The gain registered over the previous year is due to the share of the increased prices received by the Company after deducting Provincial royalty and Federal export tax from the "export price" which ranged between $10.50 and $12.00 per barrel.

As to natural gas price during the coming year, an increase is expected. At the fiscal year end, CEGO's prices ranged from 27¢ to 67¢ per MCF. In May, 1975 as the result of an arbitration award, TransCanada PipeLines has contracted to pay $1.15 per MCF effective November 1, 1975, which price would apply to all CEGO's gas production. The Federal Government has indicated that it may invoke recently enacted price-setting legislation to phase in this substantial price increase.

Also in May, the Federal Government announced the price of gas exported to the United States will increase from $1.00 per thousand cubic feet to $1.40 on August 1, 1975 with a further increase to $1.60 on November 1.

These factors are expected to provide additional revenue benefits to the Company, but these cannot yet be accurately assessed until certain Federal Government policy clarifications are received.

A Strachan Unit gas development well was successfully completed and is now on production. A rail spur now being completed to the Strachan plant should allow for sulphur sales to begin in mid-summer.

The Provost gas plant is now on production, and CEGO's share of full capacity is 1.5 million cubic feet per day.

Two successful development oil wells were completed at Caroline and four development wells were drilled at Twining, giving the Company an interest in eight wells in the latter field.

In the Fort Worth Basin of Texas, the Company participated in drilling its first successful gas well, which is currently being completed.

EXPLORATION

CEGO participated in the drilling of 18 exploratory wells during 1974, resulting in 3 oil discoveries and 5 gas discoveries.

Three of the gas discoveries resulted from a drilling program undertaken in the Marten Hills and Hilda areas of Alberta. The two other gas discoveries were drilled by another company on a CEGO farm-out in the Saddle Lake area.

Two of the oil wells were Viking step-outs extending the Caroline field. The third oil discovery was made in the Denver Basin of the United States.

At year end the Zapata 21/2-1 well in the North Sea had reached the top of the Jurassic oil sand. The well has since reached total depth and flowed at the rate of 5,540 barrels per day from two zones. Additional drilling will be necessary to determine the commercial significance of the discovery.

GENERAL

During the past year, a great many factors have come

into play in determining the future of the oil and gas industry in Canada. Increased royalty payments, tax increases, exploration incentives, price structures, export agreements and a host of others have tended to confuse and disorient the industry. Governmental agencies proclaim the necessity for vigorous exploration and development programs to find and develop more oil and gas reserves and at the same time by tax and other restrictive measures diminish the incentives that would stimulate that result. Intelligent forward planning and programming becomes increasingly difficult.

It is not CEGO's intention at this time to address itself to the many arguments arising from past legislation affecting the industry, nor can we attempt to forecast what future legislation or regulations may dominate the horizons of the industry. It would seem obvious that new prices for gas should increase the Company's gross income substantially in fiscal 1976, but it is impossible to predict how much of this will accrue to net earnings.

Canadian Export Gas & Oil was formed as a Canadian exploration and production company and it is the Company's intention that it continue to fulfill that role. Our main exploration effort in both manpower and investment will be directed within Canada, especially to Alberta and frontier areas, hopefully to continue CEGO's 25-year successful exploration record.

We intend to continue our prime efforts in developing Canadian energy supplies, in addition to continuing foreign activities where favourable economic and geological conditions appear to exist.

To its profound regret, the Company suffered the loss by death in July, 1974 of its President, A. F. Beck, after a short illness. Since 1954, when the Company was formed, it progressed under his direction from a struggling operation to the point where it was profitable and free of debt and had acquired most of the prime prospects held today. He built a small but competent staff and directed an economical operation with enterprise and good judgment, the fruits of which are plain today. The Company is deeply indebted to "Gus" Beck.

In August, 1974 the Board of Directors appointed Dr. Robert S. Moehlman of Houston, Texas as director and Chairman of the Board and Paul C. Evans of Calgary, Alberta as director, President and Chief Executive Officer.

Mr. Moehlman is President of Newmont Oil Company, an office he has held since 1962. Newmont Oil Company is a wholly-owned subsidiary of Newmont Mining Corporation which owns 19% interest in Canadian Export Gas & Oil Ltd.

Mr. Evans has been with the Company since 1954 and was formerly Vice-President, Production.

The Board of Directors would like to thank both the Company's field and office staffs for their valuable and effective contribution to the progress of the Company during the past year.

On Behalf of the Board,

Robert S. Moehlman
Chairman of the Board

Paul C. Evans
President and Chief Executive Officer

May 29, 1975

CEGO's Management Group in session in the Company's board room. They are, left to right, (standing:) Harvey M. Doyle, Manager of Engineering; John E. Hunter, Manager of Land and Contracts; and Harry R. Rudy, Exploration Manager. (Seated:) Derek N. Walker, Secretary-Treasurer; W. P. Hancock, Vice President, Exploration; and Paul C. Evans, President and Chief Executive Officer.

Production

Normal reservoir depletion and lower Alberta allowables in high productivity fields have combined to produce a decline in the oil and gas liquid production this year, as compared to the previous 12-month period.

Oil and gas liquid production was 680,000 barrels, compared to 743,000 barrels in 1974. Gas production was 9.8 billion cubic feet compared to 9.7 billion last year.

In order to maintain maximum plant capacity, a development well was drilled in the Strachan field. This well flowed at a rate of 50 million cubic feet per day and was placed on production during the last quarter. CEGO is also participating in the construction of a railway spur line to the Strachan plant and it is anticipated sulphur sales will begin during the coming summer.

Approximately 40% of the Company's gas production comes from the Strachan field and the present contract price is 29¢ per thousand cubic feet. Pursuant to a contract amendment, the Company agreed to accept a price revision, effective November 1, 1975, to be determined by arbitration. The arbitrators have now fixed this price at $1.15 per thousand cubic feet. However, in recently enacted legislation the government has the right to intervene to revise this gas price.

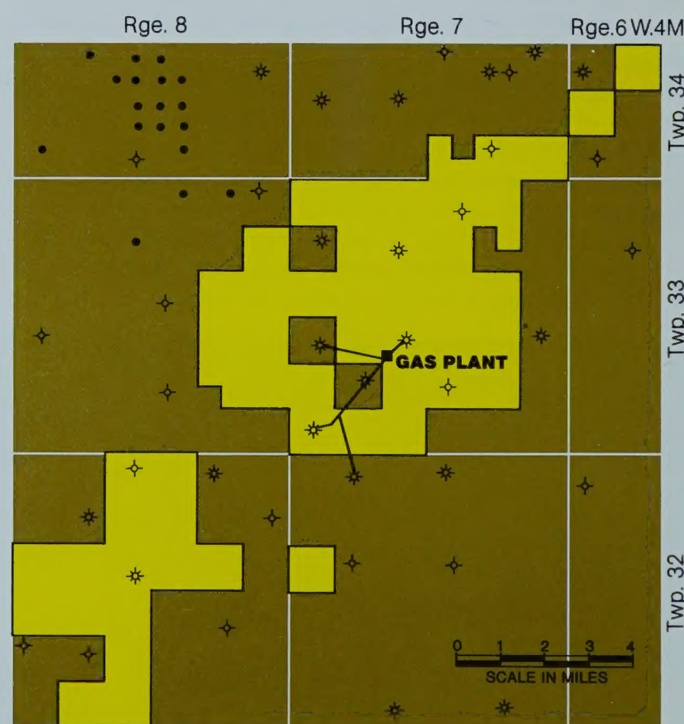
Two Viking development oil wells, in which the Company has a 22% interest, were completed on the east side of the Caroline field and were placed on production in the last half of 1974. Your Company plans an active development program with four locations selected for immediate drilling. (see map page 7).

In the Twining field, four development wells were drilled during the past fiscal year and were placed on production. CEGO now has a 10% working interest in eight producing wells in this field.

The Provost Gas Plant has been completed and commenced steady operation in December of 1974 following its connection to the Alberta Gas Trunk Line gathering system. The plant has a design capacity of 5.6 million cubic feet per day and is currently being tested for performance. At full capacity CEGO's share of daily production is 1.5 million cubic feet.

At Hilda, an accelerated program which involves drilling fifteen wells, extending the gathering system and enlarging compression facilities has commenced and additional gas deliveries should start by the time the new gas prices become effective.

In the Fort Worth Basin, Texas, the Company is participating in a drilling program to earn an interest in 10,500 acres in blocks adjacent to the Lipan gas field. By year end, three wells had been drilled, one of which is being completed as a potential gas well after testing gas in excess of one million cubic feet per day. The other two wells encountered only minor gas shows and were abandoned. A fourth location has been prepared and drilling is currently in progress. The eventual interest to be earned by CEGO will vary from 12½% to 25%, depending upon the number of wells in which the Company participates.

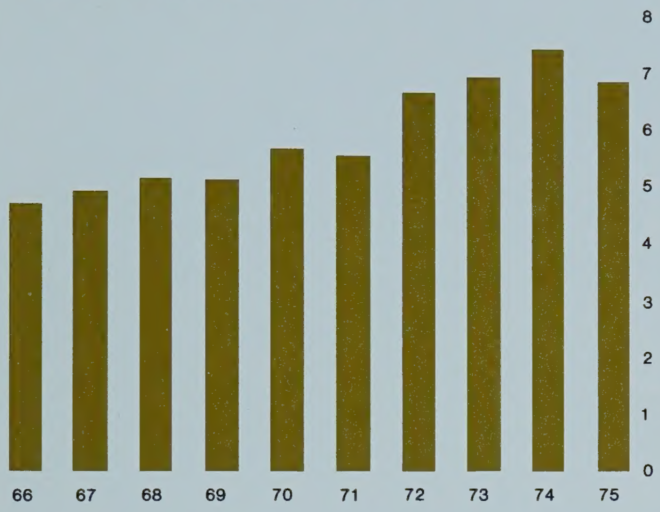


Canadian Export Gas & Oil Ltd.

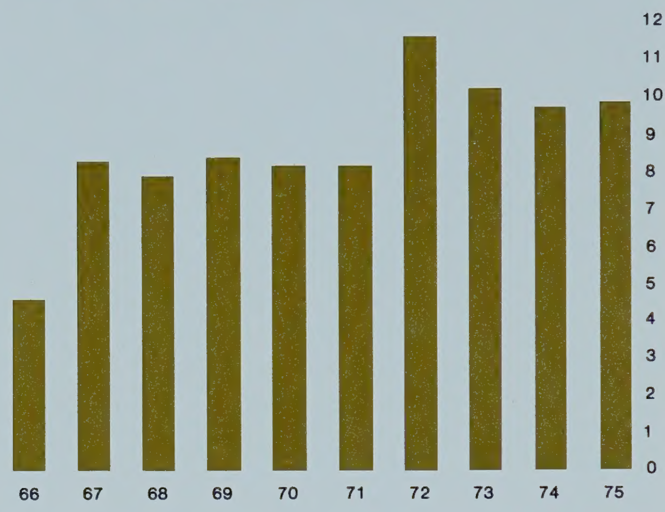
PROVOST AREA

- CEGO 33,120 Gross Acres 16,560 Net Acres
- ● Oil Well
- Gas Well
- Abandoned
- ○ Location

OIL & GAS LIQUIDS PRODUCTION
HUNDREDS OF THOUSANDS OF BARRELS



GAS PRODUCTION
BILLIONS OF CUBIC FEET



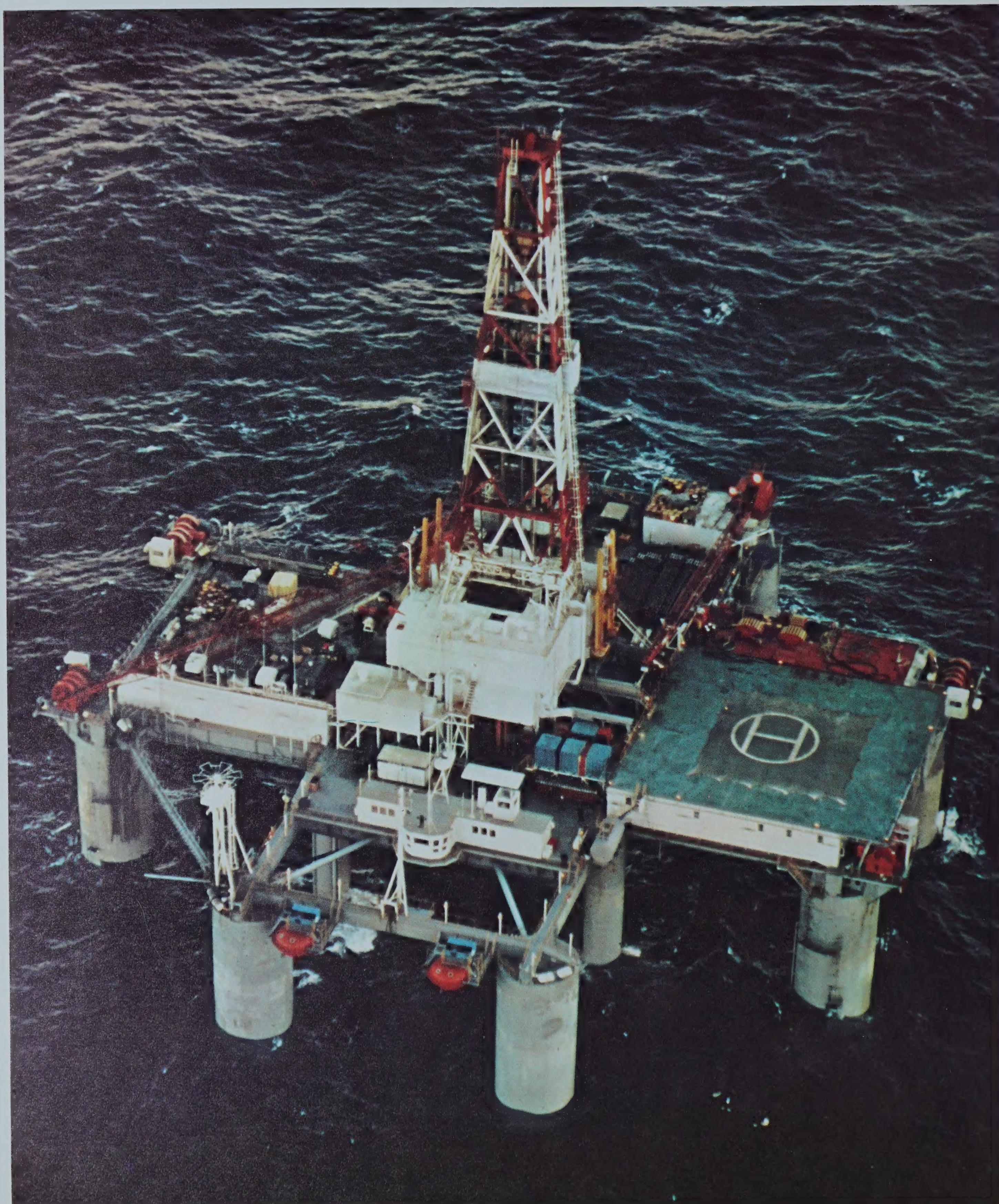
Oil & Gas Liquids Production by Fields

	(Barrels)				
	1975	1974	1973	1972	1971
Virden-Roselea, Man.	160,059	163,474	172,386	173,911	186,454
Florence-Carnduff, Sask.	38,386	44,834	54,783	60,761	71,336
Swan Hills, Alberta	65,758	81,964	96,267	97,416	101,028
Big Valley, Alberta	68,072	85,298	79,237	52,261	44,537
Crossfield, Alberta	27,390	27,760	26,031	25,334	24,819
Virginia Hills, Alberta	20,282	21,734	25,297	25,451	28,679
Northgate, Saskatchewan	5,194	8,299	8,032	9,106	9,461
Manyberries, Alberta	11,355	12,300	11,923	8,342	7,746
Browning-Willmar, Saskatchewan	—	1,184	3,416	5,798	7,341
Swalwell, Alberta	4,064	3,282	3,016	3,326	3,328
Zama, Alberta	9,252	16,248	13,941	8,183	13,839
Meekwap, Alberta	34,780	58,807	41,559	34,914	7,722
Strachan, Alberta	206,778	201,311	148,398	149,180	33,354
Twining, Alberta	9,677	—	—	—	—
Caroline, Alberta	3,545	—	—	—	—
Other Areas	15,528	16,118	10,384	11,631	19,286
	680,120	742,613	694,670	665,614	558,930

Gas Production by Fields

	(Billion Cubic Feet)				
	1975	1974	1973	1972	1971
Steveville	.797	.960	1.146	1.362	1.584
Bindloss	2.058	1.999	1.949	2.358	2.308
Hilda	1.846	1.597	1.590	1.789	1.840
Sedalia	.511	.501	.492	.500	.472
Wood River	.228	.254	.150	.164	.217
Atlee-Buffalo-Jenner	.104	.093	.121	.128	.124
Countess-Duchess	.125	.129	.133	.072	.102
East Crossfield	.082	.072	.112	.124	.130
Crossfield Turner Valley	.050	.053	.055	.057	.051
Strachan	3.736	3.979	4.357	4.979	1.217
Provost	.096	—	—	—	—
Other Areas	.162	.060	.104	.072	.126
	9.795	9.697	10.209	11.605	8.171

The above charts and tables report the Company's share of production **before** deduction of royalties.



The Waage II drilling rig, operated by Santa Fe International Corporation, on location in the North Sea.

Exploration & Land

Introduction

During the past year the Company participated in a total of 18 exploratory wells. Of these, 11 were in Canada, six in the United States and one drilling at year end in the North Sea. Five of the wells were drilled under farm-out agreements at no cash cost to CEGO. Three oil and five gas discoveries resulted from this activity, for a total of eight productive wells.

Geophysical studies and activities were carried out in both Canadian and foreign areas of exploration. During the year, acreage acquisitions were made in Alberta, British Columbia, the northwestern United States, and in Texas.

A decrease of net land holdings of some 700,000 acres resulted in large part from a decrease in CEGO's interest in Kenya, under an exploration agreement with a major oil company. Selective surrender of unproductive acreage largely within Canada accounted for most of the remaining reduction.

CANADA

ALBERTA

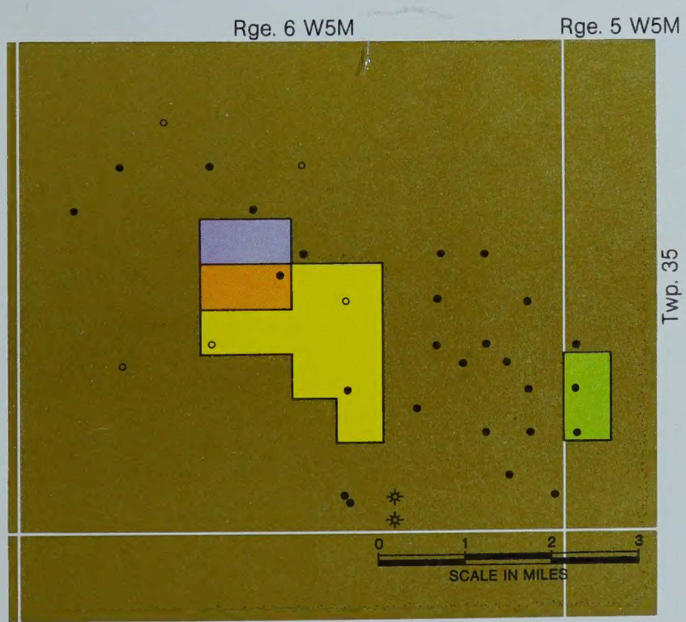
Caroline (see map below).

In southwestern Alberta, CEGO participated in two successful step-out wells which extended the Caroline Viking oil field. With the first well, CEGO et al Caroline 10-10-35-6 W5, the Company earned a 25% interest in 480 acres and a like interest was purchased in an adjoining 640 acres.

The second well, CEGO et al Caroline 16-16-35-6 W5, was drilled on an adjacent farm-in block and earned CEGO a 12½% interest in 320 acres with the option to earn a similar interest in another 320 acres. In addition, CEGO participated for a 25% interest in the purchase of a further 320 acres at a recent land sale.

Marten Hills (see map below).

At a government land sale in May of 1974, CEGO purchased a 37½% interest in a 23,040-acre Natural Gas Licence in the Marten Hills area of North Central Alberta. Two gas wells have been successfully drilled on that licence, one of which was a dual zone discovery. Further drilling will be carried out during the next winter drilling season.

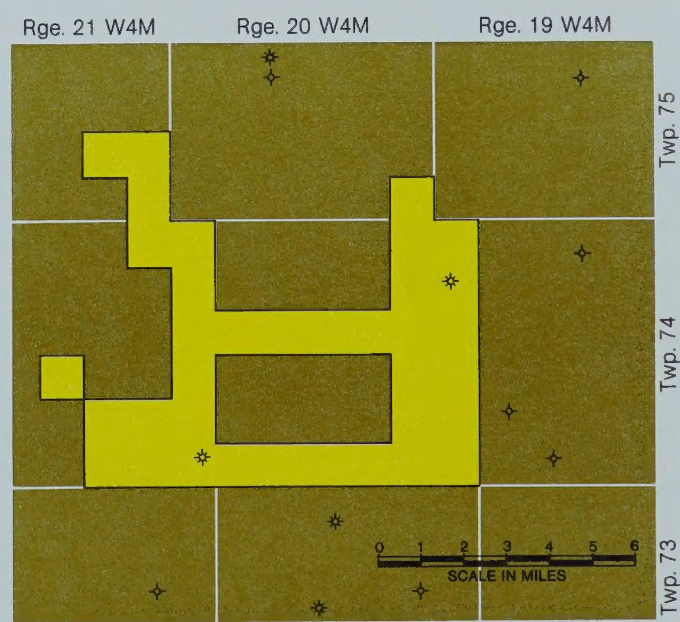


Canadian Export Gas & Oil Ltd.

CAROLINE AREA

- ● Oil Well
- ☼ Gas Well
- ○ Location
- ⌖ Abandoned

- CEGO 22.22%-320 Gross Acres
- CEGO 25% - 1,440 Gross Acres
- CEGO 12.5% - 320 Gross Acres
- CEGO Option - 320 Gross Acres



Canadian Export Gas & Oil Ltd.

MARTEN HILLS AREA

- ● Oil Well
- ☼ Gas Well
- ○ Location
- ⌖ Abandoned

- CEGO 23,040 Gross Acres 8,640 Net Acres

Exploration & Land (continued)

Hilda

A Viking gas discovery in the Medicine Hat field has been connected to the gathering system and current production is 2 million cubic feet per day. CEGO has a 100% interest in this well which is classified as a new field discovery and is therefore free of royalty for two years.

Saddle Lake

In the Saddle Lake area, a farm-out of the Company's 33⅓% interest in 18,000 acres was negotiated. To date, four wells have been drilled on the acreage by the farmee, resulting in two gas discoveries, one development gas well and one dry hole. The gas wells have now been shut in and are awaiting production pending gas sales negotiations.

CEGO holds a 5% gross overriding royalty interest.

British Columbia

CEGO participated for 25% in the purchase of an 18,437-acre permit in the Kotcho Lake area of northeastern British Columbia. This permit is approximately seven miles northeast of the Devonian and Cretaceous gas production in the Kotcho Lake field.

CANADIAN FRONTIER EXPLORATION

Mackenzie Delta—Beaufort Sea (see map opposite).

During the past year CEGO has continued its evaluation and correlation of the structures and stratigraphy of the West Beaufort permits with the drilled structures of the Mackenzie Delta, based on the interpretation of approximately 628 miles of seismic lines. These studies are continuing and are being supplemented by trade data acquired from nearby land holders.

Drilling activity is being planned by others for the Beaufort Sea during 1976 and two proposed locations are shown on the accompanying map. CEGO has a 50% interest in 824,000 acres in this area.

Labrador (see map opposite).

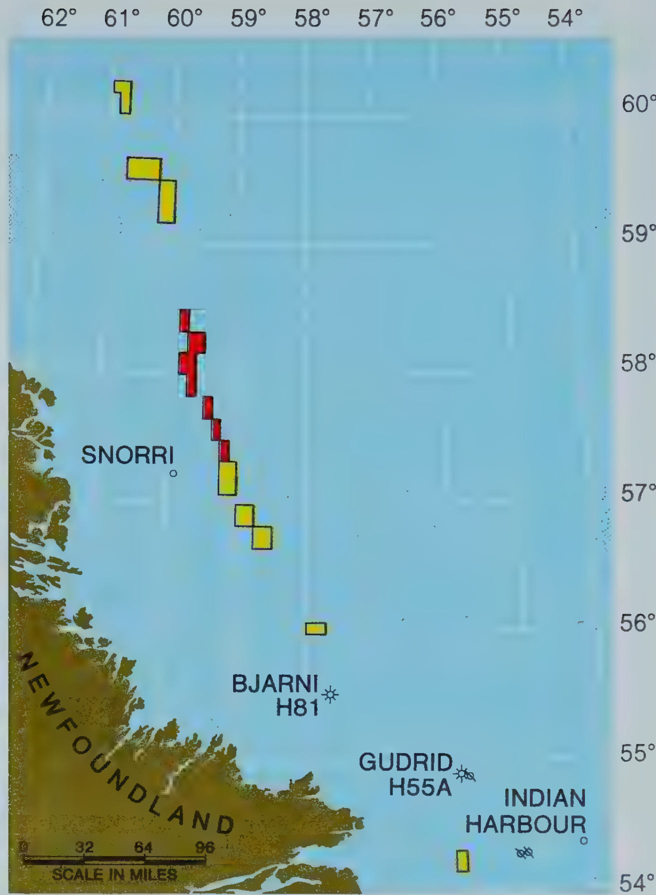
CEGO has an interest in 946,000 gross acres (412,000 net) off the coast of Labrador. Two discoveries were made in this region during the 1974 drilling season. One of these wells, Gudrid H-55A, which lies approximately 40 miles north of a 37,000-acre permit in which CEGO has a 50% interest, flowed gas at a rate of 20 million cubic feet per day on tests from a depth of approximately 8,700 feet. The other well, Bjarni H-81, located approximately 30 miles south of a 36,000-acre permit in which CEGO has a 50% interest, resulted in a gas flow of 13 million cubic feet per day with condensate from a depth of approximately 8,200 feet. Additional drilling is planned, by other companies, in this region during the coming summer with one location proposed approximately 20 miles west of a group of permits in which CEGO's interest varies from 30% to 50%.

Hudson Bay

CEGO holds a 50% interest in a 2,000,000-acre block in Hudson Bay. During 1974, CEGO participated in the Kenting Bayquest '74 seismic program, which has now been completed on that acreage. To the south of the Company's block, two wells were drilled and abandoned by other operators.

Canadian Export Gas & Oil Ltd.
LABRADOR AREA

CEGO — 30% 305,397 Gross Acres
CEGO — 50% 640,950 Gross Acres



KEY MAP

Canadian Export Gas & Oil Ltd.
MACKENZIE DELTA AREA

CEGO 824,638 Gross Acres 412,319 Net Acres
Discovery Wells
● Oil Well
☼ Gas Well

Foreign Exploration

NORTH SEA (see map)

The first well, Zapata 21/2-1, on Company interest acreage in the northern portion of the North Sea, was spudded in the latter part of the past fiscal year. On May 20, 1975, the well had reached total depth of 13,938 feet and casing was cemented to 13,611 feet. Subsequently, two zones were perforated in the Jurassic sands and these zones flowed at a combined rate of 5,540 barrels per day. The result of these flow tests together with current and proposed seismic data and further drilling will be required to gauge the commercial potential of the block. CEGO has a 10% interest in this well and the 54,000-acre block on which it was drilled.

UNITED STATES

Denver Basin

CEGO is participating in a 10-well drilling program in areas close to existing production. Six of the wells were drilled in the past fiscal year, five of these being abandoned as dry holes.

The other well has been completed as a potential oil discovery. CEGO plans to drill an offsetting location to this well.

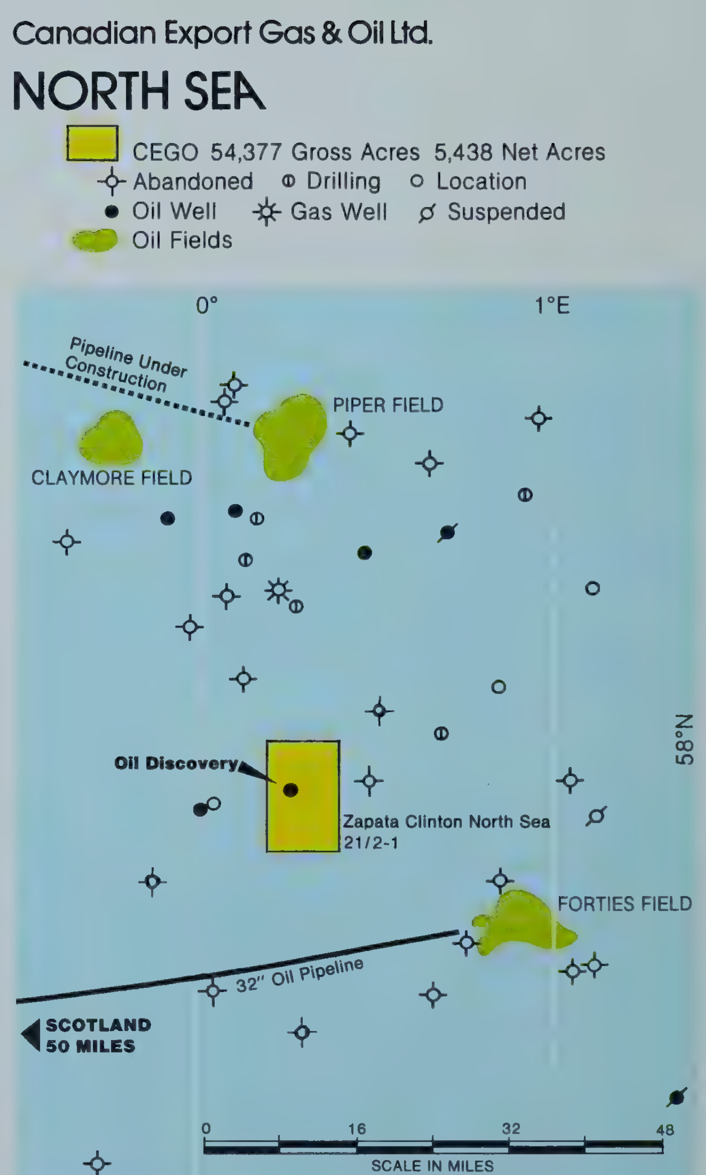
Texas Offshore

On July 30, 1974, CEGO participated in a successful bid on the Brazos A-52 block, amounting to 5,760 acres located 45 miles offshore in 150 feet of water. CEGO holds a 5% interest. The block is immediately west of the Brazos A-53 block, which sold in May of 1974 for $21.3 million.

Future plans are dependent on the result of drilling activity by others.

KENYA

A major oil company has undertaken to conduct a seismic survey and if warranted, drill an exploratory well. On completion of this program CEGO will retain a 16⅔% interest in the 6.6 million acre oil prospecting licence.



Land Holdings

Canadian and Foreign
April 30, 1975

	Gross Acres	Net Acres
CANADIAN		
Alberta	617,807	247,167
Saskatchewan	2,306	635
Manitoba	1,370	1,370
British Columbia	152,466	81,195
Northwest Territories	52,976	6,622
East Coast	946,347	412,094
Mackenzie Delta (Beaufort Sea)	824,638	412,319
Hudson Bay	2,052,430	1,026,215
TOTAL CANADIAN	4,650,340	2,187,617
FOREIGN		
North Sea	285,000	28,500
Kenya	6,600,000	1,100,000
Italy	169,100	42,260
United States	76,544	18,041
TOTAL FOREIGN	7,130,644	1,188,801
GRAND TOTAL	11,780,984	3,376,418
ROYALTY AND MINERAL INTERESTS		
Alberta	112,416	
British Columbia	51,487	
Saskatchewan	41,371	
Manitoba	8,173	
TOTAL ROYALTY AND MINERAL INTERESTS	213,447	

Auditors' Report to the Shareholders

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS

2600 - 500 FOURTH AVENUE S.W.
CALGARY, ALBERTA

We have examined the consolidated balance sheets of Canadian Export Gas & Oil Ltd. and subsidiaries as at April 30, 1975 and 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and subsidiaries as at April 30, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in the method of accounting for deferred income taxes as explained in Note 4.

Peat, Marwick, Mitchell & Co

Calgary, Alberta
May 26, 1975

Chartered Accountants

Canadian Export Gas & Oil Ltd. and subsidiaries

Consolidated Statement of Earnings

Years ended April 30, 1975 and 1974

		1975	1974
OPERATING INCOME:			
Crude oil and gas liquids sales		$ 3,093,000	2,267,000
Natural gas sales		2,769,000	1,585,000
Royalty income		250,000	230,000
Sulphur sales		9,000	13,000
GROSS INCOME		6,121,000	4,095,000
Less production expenses		930,000	801,000
NET PRODUCTION INCOME		5,191,000	3,294,000
Deduct administrative and general expenses		428,000	462,000
OPERATING PROFIT BEFORE THE FOLLOWING		4,763,000	2,832,000
OTHER CHARGES, net:			
Share transfer and other shareholder expenses	$ 78,000		67,000
Acreage rentals on non-producing properties	164,000		170,000
Dry holes and abandoned properties	1,198,000		1,164,000
	1,440,000		1,401,000
Deduct miscellaneous income	109,000		126,000
		1,331,000	1,275,000
EARNINGS BEFORE PROVISIONS		3,432,000	1,557,000
PROVISIONS:			
Depletion	411,000		422,000
Depreciation	333,000		231,000
		744,000	653,000
NET EARNINGS BEFORE INCOME TAXES		2,688,000	904,000
INCOME TAXES (Note 4):			
Current	725,000		—
Deferred	175,000		353,000
		900,000	353,000
NET EARNINGS		$ 1,788,000	551,000
EARNINGS PER SHARE (Note 7)		$ .22	.07

Consolidated Statement of Retained Earnings

Years ended April 30, 1975 and 1974

	1975	1974
Retained earnings, beginning of year	$ 4,806,000	7,146,000
Adjustment for deferred income taxes (Note 4)	—	2,891,000
	4,806,000	4,255,000
Net earnings for year	1,788,000	551,000
RETAINED EARNINGS, END OF YEAR	$ 6,594,000	4,806,000

See accompanying notes.

Canadian Export Gas & Oil Ltd. and subsidiaries

Consolidated Balance Sheet

April 30, 1975 and 1974

ASSETS

		1975	1974
CURRENT ASSETS:			
Cash and deposit receipts		$ 14,000	531,000
Short term investments, at cost		—	500,000
Marketable securities, at cost (quoted market value $255,000; 1974—$86,000)		256,000	92,000
Accounts receivable		2,514,000	919,000
TOTAL CURRENT ASSETS		2,784,000	2,042,000
REFUNDABLE DEPOSITS AND INVESTMENTS, at cost (Note 2)		415,000	507,000
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 1 and 3)	$24,798,000		21,935,000
Less accumulated depletion and depreciation	8,063,000		7,500,000
		16,735,000	14,435,000
		$19,934,000	16,984,000

LIABILITIES

		1975	1974
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		$ 1,789,000	1,027,000
Income taxes payable		225,000	—
TOTAL CURRENT LIABILITIES		2,014,000	1,027,000
DEFERRED INCOME TAXES (Note 4)		3,530,000	3,355,000
SHAREHOLDERS' EQUITY:			
Capital stock (Note 5):			
Shares of a par value of 16⅔ cents each. Authorized 12,000,000 shares; Issued 8,168,577 shares	$ 1,362,000		1,362,000
Contributed surplus	6,434,000		6,434,000
	7,796,000		7,796,000
Retained earnings	6,594,000		4,806,000
		14,390,000	12,602,000
		$19,934,000	16,984,000

Approved on behalf of the Board:

PAUL C. EVANS, Director

JOHN DRYBROUGH, Director

See accompanying notes.

Canadian Export Gas & Oil Ltd. and subsidiaries

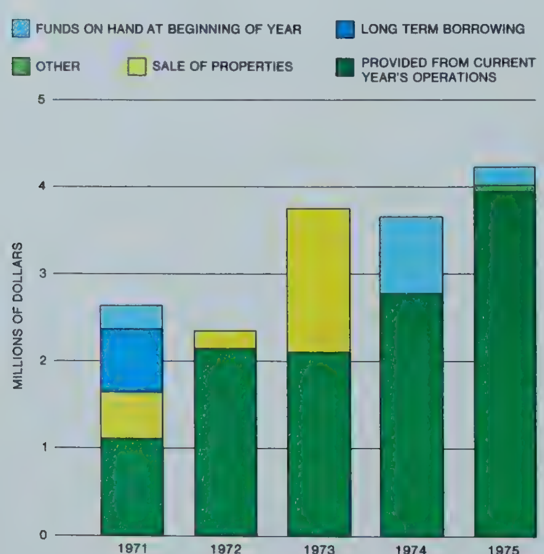
Consolidated Statement of Changes in Financial Position

Years ended April 30, 1975 and 1974

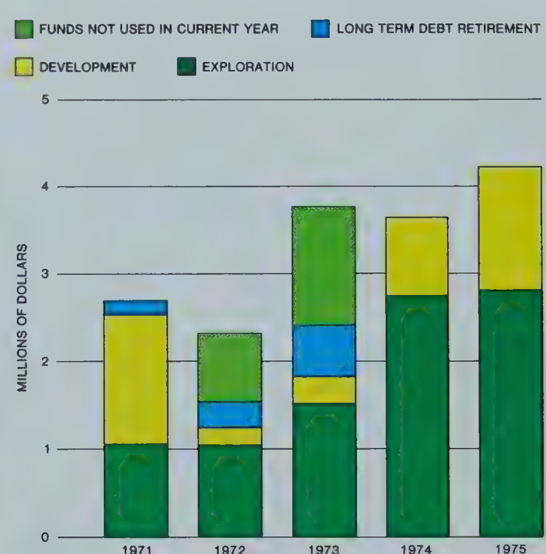
	1975	1974
SOURCE OF WORKING CAPITAL:		
Net earnings	$ 1,788,000	551,000
Add charges against earnings not requiring a current outlay of working capital:		
Deferred income taxes	175,000	353,000
Depletion and depreciation	744,000	653,000
Dry holes and abandoned properties	1,198,000	1,164,000
WORKING CAPITAL PROVIDED FROM OPERATIONS	3,905,000	2,721,000
Decrease in work obligation deposits	98,000	—
WORKING CAPITAL PROVIDED	4,003,000	2,721,000
DISPOSITION OF WORKING CAPITAL:		
Exploration:		
Land acquisition and exploration surveys		
— Canadian	522,000	1,085,000
— Foreign	913,000	569,000
Wildcat and stepout drilling		
— Canadian	452,000	641,000
— Foreign	955,000	380,000
Increase in work obligation deposits		
— Canadian	—	43,000
Development and other expenditures:		
Purchase of producing properties		
— Canadian	—	602,000
Drilling and equipment of wells		
— Canadian	629,000	128,000
— Foreign	144,000	—
Gas gathering systems, plants and miscellaneous		
— Canadian	633,000	154,000
WORKING CAPITAL USED	4,248,000	3,602,000
DECREASE IN WORKING CAPITAL	245,000	881,000
Working capital at beginning of year	1,015,000	1,896,000
WORKING CAPITAL AT END OF YEAR	$ 770,000	1,015,000

See accompanying notes.

SOURCE OF WORKING CAPITAL



DISPOSITION OF WORKING CAPITAL



Notes to Consolidated Financial Statements

April 30, 1975 and 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of all of the Company's subsidiaries, each of which is wholly-owned.

Petroleum and Natural Gas Properties

Costs of all oil and gas rights and exploration costs are capitalized when acquired. When undeveloped rights and costs are proven to be productive the accumulated cost is transferred to the producing oil and gas account and charged to earnings by an annual provision for depletion calculated on an area basis on the unit of production method based on the estimated recoverable oil and gas reserves. When such rights and costs are surrendered in an area the accumulated costs are charged against earnings. All costs of drilling wells are initially capitalized. If, on completion, a well is not capable of commercial production, its cost is immediately written off. The costs of successful wells are depleted on the unit of production method in the same manner as the costs of developed oil and gas rights.

Depreciation

Lease and well equipment, gas plants and pipelines are being depreciated on the unit of production method; other assets are being depreciated on the declining balance method at rates varying from 20 to 30 percent, which rates are estimated to amortize the costs over the useful lives of the assets.

Income Taxes

The company follows the tax allocation basis of accounting for all timing differences between net earnings and taxable income (see Note 4).

2. INVESTMENTS:

During 1974 the company converted a 5% convertible floating charge debenture in the amount of $300,000 in Bluewater Oil & Gas Limited into 500,000 common shares of that company. The investment is carried at a net cost of $159,000 in the accompanying balance sheet and at April 30, 1975 and 1974 market value of these shares was $1,125,000 and $2,000,000 respectively. Owing to the number of shares involved, the market value is not necessarily indicative of the value that the company would receive if the shares were to be sold.

3. PROPERTY, PLANT AND EQUIPMENT:

	April 30, 1975		
	Assets at Cost	Accumulated Depletion and Depreciation	Net
Productive petroleum and natural gas properties	$13,687,000	4,716,000	8,971,000
Undeveloped petroleum and natural gas properties	4,167,000	—	4,167,000
Lease and well equipment	2,382,000	1,697,000	685,000
Gas plants and related facilities	4,326,000	1,555,000	2,771,000
Other	236,000	95,000	141,000
	$24,798,000	8,063,000	16,735,000

	April 30, 1974		
	Assets at Cost	Accumulated Depletion and Depreciation	Net
Productive petroleum and natural gas properties	$12,602,000	4,370,000	8,232,000
Undeveloped petroleum and natural gas properties	3,106,000	—	3,106,000
Lease and well equipment	2,264,000	1,722,000	542,000
Gas plants and related facilities	3,781,000	1,322,000	2,459,000
Other	182,000	86,000	96,000
	$21,935,000	7,500,000	14,435,000

4. INCOME TAXES:

For income tax purposes the company may claim tax depreciation and exploration, development and lease acquisition costs which exceed the related amounts charged to expense in the financial accounts. For the year ended April 30, 1974 sufficient tax depreciation, exploration, development and lease acquisition costs were claimed to eliminate taxable income.

Prior to 1974, the company provided for deferred income taxes on timing differences between depreciation charged against earnings and tax depreciation claimed. Effective May 1, 1973, the company retroactively adopted the tax allocation basis of accounting for income taxes deferred as a result of amounts claimed for drilling and exploration costs in excess of depletion and abandonment charges. Under tax allocation, deferred taxes are provided to the extent that current income taxes have been reduced by claiming tax depreciation and exploration, development and lease acquisition costs in excess of the related depreciation, depletion and abandonment charges provided in the financial statements. Retroactive adoption of the tax allocation basis of accounting for income taxes resulted in an additional cumulative provision for deferred taxes of $2,891,000 at May 1, 1973 and a corresponding reduction in previously reported retained earnings.

In March, 1975 the Government of Canada amended the Income Tax Act with certain of these amendments being retroactive to May 6, 1974. Some of the Provinces have announced their intention to provide rebates which will offset the increased income taxes resulting from these amendments. The 1975 income taxes have been estimated on the basis of these proposals with a resultant decrease in income taxes of approximately $666,000.

5. CAPITAL STOCK:

At April 30, 1975, the company has reserved 100,000 shares of its capital stock for stock options to employees as follows:

No. of Shares	Option Price	Date First Exercisable	Expiry Date
5,000	$4.50	September 10, 1972	December 10, 1976
33,000	3.50	June 19, 1973	September 19, 1977
3,000	4.15	April 2, 1974	July 2, 1978
20,000	3.20	September 17, 1973	December 17, 1978
5,000	4.15	October 22, 1973	January 22, 1979
5,000	2.30	November 1, 1975	February 1, 1980
29,000	Authorized to be granted by the President until June 1, 1976 at the market price per share on the date of the grant.		
100,000			

All options are exercisable one fifth each year on a cumulative basis. In 1974 options on 23,000 shares expired. In 1975 options on 5,000 shares were granted.

6. REMUNERATION PAID TO DIRECTORS AND SENIOR OFFICERS:

Remuneration paid during the year to directors and senior officers amounted to $162,000 (1974—$160,000).

7. EARNINGS PER SHARE:

Earnings per share are calculated using the weighted average number of shares outstanding during the respective fiscal years. Fully diluted earnings per share are not presented as there would be no material change.

MARKET AND DIVIDEND INFORMATION

Principal Market: The Toronto Stock Exchange
Other Markets: American Stock Exchange
Midwest Stock Exchange

Sales price per share on principal market	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended April 30, 1975				
High	$3.40	3.10	2.65	3.55
Low	$2.30	1.70	1.55	2.25
Year ended April 30, 1974				
High	$3.75	4.35	4.55	3.70
Low	$2.90	3.10	2.55	2.80

Dividends: No dividends have been paid to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENTS OF EARNINGS

The following commentary is intended to supplement information given elsewhere in this report concerning the reasons for significant variances in items of income and expense in the two most recent annual earnings statements compared with the previous year.

1974-1975

Whereas gas production increased marginally, oil production was 8% lower. Therefore the $2,026,000 (49%) increase in gross income was almost entirely due to higher sale prices for oil and gas.

Production expenses increased $129,000 (16%) mainly because of inflationary increases in the cost of labour, services and supplies.

Additional investment of approximately $700,000 in plant and equipment was reflected in an increase of $102,000 (44%) in the provision for depreciation.

Substantially increased earnings were mainly responsible for income taxes increasing $547,000 (155%). Further information about income taxes is given in Note 4 to the Consolidated Financial Statements.

1973-1974

An increase of 7% in oil production was partially offset by a drop of 5% in gas production. Therefore only a modest part of the $781,000 (25%) increase in gross income was attributable to increased production, the main factor being increased prices for both oil and gas.

Production expenses increased $79,000 (11%) due partly to nonrecurring workover costs on some of the older oil fields in Alberta but mostly to an overall increase in operating costs induced by inflation.

Approximately half of the $89,000 (24%) increase in administrative and general expenses represented increased salary and employee benefit costs and the other half was due to higher legal and professional fees.

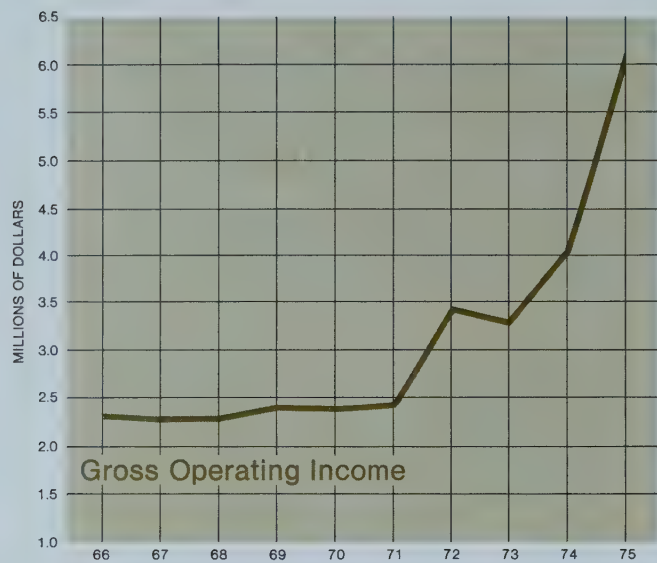
Acreage rentals on non-producing properties were $22,000 (15%) higher than in the previous year in spite of a slight decrease in the Company's net acreage. Rental rates may vary according to the type of land holding and in some cases there is no rental obligation and acreage is kept in good standing by the performance of exploratory work.

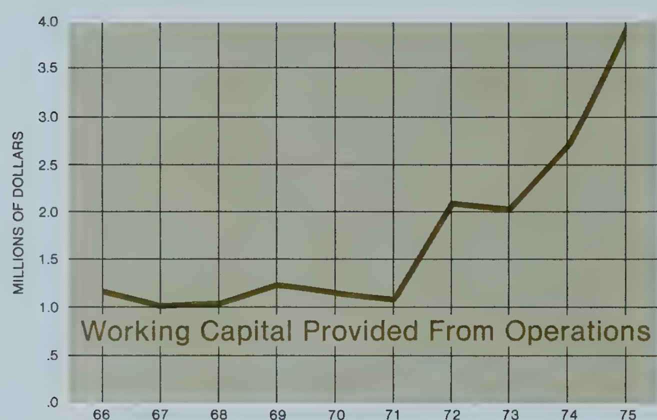
The charge for dry holes and abandoned properties increased $471,000 (68%). These write-offs may fluctuate from year to year and are not related to or dependent upon other items of income or expense. The Company's accounting policy with respect to the treatment of property costs is fully explained in Note 1 to the Financial Statements.

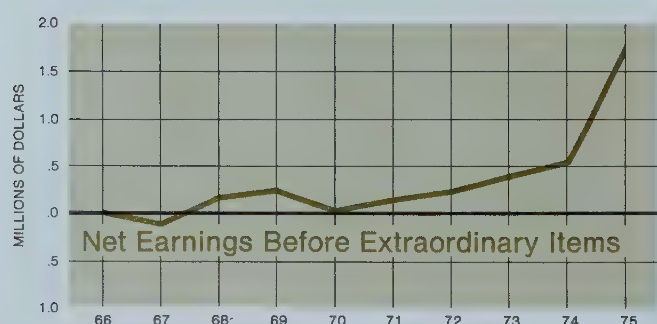
Miscellaneous income went up $52,000 (74%) mainly because of increased interest earned on the investment of short-term surplus funds.

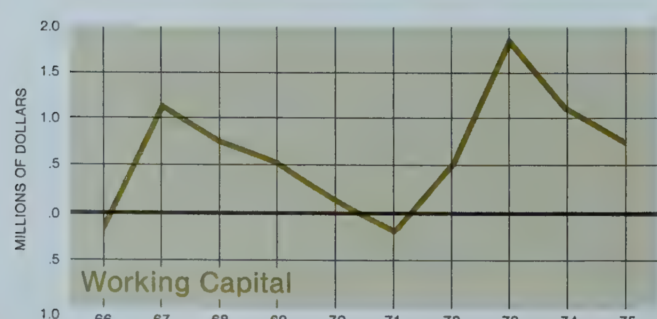
Deferred income taxes were $78,000 (28%) higher, reflecting a corresponding increase in the pre-tax earnings.

Ten Year Statistical Summary 1966—75









PRODUCTION:*	
Oil—Annual	Barrels
Daily Average	Barrels
Gas—Annual	Billion Cubic Feet
Daily Average	Million Cubic Feet
Sulphur—Annual	Long Tons
Daily Average	Long Tons
EARNINGS:	
Gross operating income less royalties paid	$
Production expenses	$
Administrative and general expenses	$
Share transfer and other shareholder expenses	$
Acreage rentals on non-producing properties	$
Interest and miscellaneous, net	$
	$
Working capital provided from operations before current income taxes	$
Dry holes and abandoned properties	$
Other non-cash charges or (income) net	$
	$
Earnings before provisions	$
Depletion and depreciation	$
Net earnings (loss) before income taxes	$
Income taxes—current	$
deferred	$
Net earnings (loss) before extraordinary items	$
Extraordinary items—gain—net of deferred taxes	$
Net earnings	$
CAPITAL STRUCTURE:	
Number of shares outstanding	
Shareholders' equity	$
Funded debt	$
Bank and other loans	$
Deferred income taxes	$
(Working capital) or deficiency	$
Total capital employed	$
CAPITAL INVESTMENT:	
Fixed assets, net—beginning of year	$
Exploration expenditures	$
Development expenditures	$
(Abandonments, provisions and adjustments, net)	$
Fixed assets, net—end of year	$
Deferred charges, unamortized	$
Other non-current assets	$
Total capital invested	$
SIGNIFICANT RATIOS:	
Net earnings to gross earnings	%
Working capital provided from operations to gross earnings	%
Operating expenses to gross earnings	%
Net earnings return on capital invested	%
Working capital provided from operations per share	¢
Net earnings before extraordinary items per share	¢
Net earnings per share	¢
WELLS DRILLED—GROSS (NET):	
Exploratory—Oil	
Gas	
Dry	
Development—Oil	
Gas	
Dry	
Total wells drilled	
Total footage drilled	
LAND HOLDINGS:	
Canadian—Gross acreage	
Net acreage	
Foreign—Gross acreage	
Net acreage	
OWNERS AND EMPLOYEES:	
Number of shareholders	
Number of employees	

*Production is reported before deduction of royalties.

1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
680,120	742,613	694,670	665,614	558,930	565,824	512,915	515,592	495,413	470,034
1,863	2,034	1,903	1,824	1,531	1,550	1,405	1,413	1,357	1,288
9.795	9.697	10.209	11.605	8.171	8.141	8.342	7.880	8.247	4.541
27	27	28	32	22	22	23	22	23	26
19,315	19,717	21,046	24,739	6,559	4,626	3,498	—	—	—
53	54	58	68	18	13	10	—	—	—
6,121,000	4,095,000	3,314,000	3,496,000	2,477,000	2,419,000	2,420,000	2,290,000	2,259,000	2,337,000
930,000	801,000	722,000	711,000	679,000	582,000	540,000	538,000	498,000	518,000
428,000	462,000	373,000	342,000	297,000	278,000	253,000	281,000	264,000	224,000
78,000	67,000	65,000	70,000	90,000	98,000	73,000	110,000	124,000	74,000
164,000	170,000	148,000	206,000	249,000	186,000	221,000	190,000	175,000	216,000
(109,000)	(126,000)	(39,000)	59,000	61,000	94,000	89,000	147,000	180,000	133,000
1,491,000	1,374,000	1,269,000	1,388,000	1,376,000	1,238,000	1,176,000	1,266,000	1,241,000	1,165,000
4,630,000	2,721,000	2,045,000	2,108,000	1,101,000	1,181,000	1,244,000	1,024,000	1,018,000	1,172,000
1,198,000	1,164,000	693,000	964,000	398,000	469,000	317,000	157,000	515,000	498,000
—	—	—	—	8,000	10,000	10,000	10,000	10,000	10,000
1,198,000	1,164,000	693,000	964,000	406,000	479,000	327,000	167,000	525,000	508,000
3,432,000	1,557,000	1,352,000	1,144,000	695,000	702,000	917,000	857,000	493,000	664,000
744,000	653,000	642,000	720,000	492,000	523,000	521,000	557,000	591,000	638,000
2,688,000	904,000	710,000	424,000	203,000	179,000	396,000	300,000	(98,000)	26,000
725,000	—	—	—	—	—	—	—	—	—
175,000	353,000	275,000	174,000	37,000	74,000	143,000	111,000	(33,000)	9,000
900,000	353,000	275,000	174,000	37,000	74,000	143,000	111,000	(33,000)	9,000
1,788,000	551,000	435,000	250,000	166,000	105,000	253,000	189,000	(65,000)	17,000
—	—	46,000	96,000	178,000	114,000	—	—	2,371,000	—
1,788,000	551,000	481,000	346,000	344,000	219,000	253,000	189,000	2,306,000	17,000
8,168,577	8,168,577	8,168,577	8,168,577	8,168,577	8,166,677	8,141,944	8,059,944	7,919,769	7,828,394
14,390,000	12,602,000	12,051,000	11,570,000	11,224,000	10,874,000	10,553,000	9,583,000	8,976,000	6,438,000
—	—	—	—	—	111,000	453,000	707,000	1,033,000	1,284,000
—	—	—	515,000	835,000	142,000	498,000	580,000	1,661,000	1,768,000
3,530,000	3,355,000	3,002,000	2,727,000	2,487,000	2,410,000	2,254,000	2,111,000	2,000,000	812,000
(770,000)	(1,015,000)	(1,896,000)	(516,000)	176,000	(118,000)	(535,000)	(765,000)	(1,233,000)	135,000
17,150,000	14,942,000	13,157,000	14,296,000	14,722,000	13,419,000	13,223,000	12,216,000	12,437,000	10,437,000
14,435,000	12,707,000	12,280,000	12,832,000	11,496,000	10,624,000	8,922,000	8,112,000	8,500,000	8,185,000
2,842,000	2,718,000	1,527,000	1,015,000	1,015,000	993,000	2,096,000	1,009,000	515,000	692,000
1,406,000	884,000	294,000	247,000	1,529,000	844,000	741,000	494,000	654,000	569,000
(1,948,000)	(1,874,000)	(1,394,000)	(1,814,000)	(1,208,000)	(965,000)	(1,135,000)	(693,000)	(1,557,000)	(946,000)
16,735,000	14,435,000	12,707,000	12,280,000	12,832,000	11,496,000	10,624,000	8,922,000	8,112,000	8,500,000
—	—	—	1,549,000	1,574,000	1,608,000	1,649,000	1,690,000	1,729,000	1,768,000
415,000	507,000	450,000	467,000	316,000	315,000	950,000	1,604,000	2,596,000	169,000
17,150,000	14,942,000	13,157,000	14,296,000	14,722,000	13,419,000	13,223,000	12,216,000	12,437,000	10,437,000
29	13	13	7	7	4	10	8	—	1
64	66	62	60	44	49	51	45	45	50
22	31	33	30	39	36	33	36	34	32
10	4	4	2	2	2	2	2	19	—
48	33	25	26	14	14	15	13	13	15
22	7	5	3	2	1	3	2	—	—
22	7	6	4	4	3	3	2	29	—
3 (1.0)	2 (0.1)	2 (0.4)	1 (0.3)	— (—)	2 (0.2)	2 (0.5)	— (—)	3 (1.0)	3 (1.5)
5 (1.8)	3 (0.8)	3 (0.8)	5 (2.2)	1 (0.1)	1 (0.1)	3 (0.1)	4 (0.8)	1 (0.3)	1 (0.5)
9 (2.8)	16 (4.7)	19 (4.9)	20 (5.1)	9 (0.9)	11 (1.1)	12 (2.9)	6 (—)	14 (2.5)	12 (4.8)
8 (0.9)	2 (0.1)	— (—)	1 (0.5)	3 (0.6)	2 (0.7)	1 (0.3)	2 (0.7)	6 (2.0)	9 (4.1)
11 (3.3)	2 (1.0)	— (—)	— (—)	2 (0.3)	4 (0.5)	14 (9.2)	3 (0.8)	3 (2.5)	2 (2.0)
2 (1.0)	— (—)	— (—)	1 (0.2)	1 (0.2)	1 (—)	1 (1.0)	— (—)	1 (0.5)	3 (1.2)
38(10.8)	25 (6.7)	24 (6.1)	28 (8.3)	16 (2.1)	21 (2.6)	33(14.0)	15 (2.3)	28 (8.8)	30(14.1)
195,000'	161,000'	134,000'	128,000'	129,000'	178,000'	177,000'	75,000'	126,000'	129,000'
4,650,000	4,890,000	5,323,000	5,525,000	6,006,000	6,530,000	5,365,000	2,159,000	2,221,000	2,698,000
2,188,000	2,345,000	2,494,000	2,486,000	2,638,000	2,728,000	3,264,000	703,000	1,105,000	2,042,000
7,131,000	7,140,000	7,026,000	285,000	—	—	—	—	—	—
1,189,000	1,730,000	1,702,000	29,000	—	—	—	—	—	—
12,107	11,948	12,136	12,117	12,584	10,433	9,134	8,992	8,586	7,790
29	31	31	31	31	32	33	33	33	37

INTERIM REPORT

OCTOBER 31st-1975

CANADIAN EXPORT GAS & OIL LTD.

CEGO

TO THE SHAREHOLDERS:

Financial

For the six months ended October 31, 1975, the Company's income and earnings, compared with the same period in 1974, were as follows:

	1975	1974
Gross income	$3,775,000	$2,629,000
Net earnings before income taxes	2,175,000	1,256,000
Net earnings	1,530,000	766,000
Net earnings per share	19¢	9¢

Working capital provided from operations was $2,372,000 compared with $1,755,000 in 1974.

Production & Development

Gross oil and gas liquid production was 349,909 barrels for the six months ended October 31, 1975, compared to 335,854 barrels for the corresponding period of 1974. The increase in production was due primarily to our new production from the Caroline Field. Gross gas production was 4.731 billion cubic feet for the report period, compared to 4.846 billion cubic feet in 1974.

Additional compressor capacity is being installed in the Hilda area to handle increased gas production from fourteen new Medicine Hat sandstone wells that have been connected to the gathering system.

Two more Viking oil wells, Caroline 6-21 and 1-16 have been completed and are pumping to our centralized battery. CEGO now has an interest varying from 12½% to 25% in eight producing wells in the Caroline Field. Our development program is now finished in this area.

The rail facilities are now completed to the Strachan Gas Plant and the sale of liquefied sulphur has commenced.

CEGO, with an interest of 6¼%, is participating in two Cardium development wells in the Ricinus Area of southwestern Alberta. The first well is currently being production tested and the second well is drilling below 5,500 feet with projected total depth being approximately 9,100 feet.

Two additional Milk River gas producers were completed in the Hilda area. These wells have been connected to the gathering system. CEGO's interest is 25%.

The sales price of all CEGO's natural gas increased to approximately ninety-five cents per MCF effective November 1, 1975. Prior to this increase our gas sales price varied between twenty-seven and sixty cents. It will be necessary to await the legislation of "The Natural Gas Pricing Agreement Act" by the Alberta Legislature to determine the exact price an Alberta producer will receive. All legislation will be retroactive to November 1, 1975 and the gas sales price will remain relatively constant until June 30, 1976 when oil and gas prices will be redetermined.

Oil and Natural Gas Liquids and Gas Production
(Gross)

	Six Months Ended October 31	
	1975	1974
Oil and Natural Gas Liquids – Barrels	349,909	335,854
Average per day – Barrels .	1,902	1,825
Gas Sales – MMCF	4,731	4,846
Average per day – MMCF .	26	26

Exploration

Exploration – Canada

A southeast offset to the CEGO et al Shouldice 6-12 Bow Island gas discovery encountered an oil show in the Basal Mannville Sands and casing was set to permit further evaluation. The well is currently being production tested and has earned CEGO a 25% interest in an additional 1,280 acres. A second well, a northwest offset to Shouldice 6-12, was dry and abandoned and earned CEGO a 25% interest in 1,280 acres.

The deeper pool test in the Hilda area, in Lsd. 7-19-17-3 W4M, encountered gas in the Bow Island which production tested at the rate of 500 Mcf per day on restricted chokes.

A 12,000 acre Gas Licence adjoining the Brazeau Mississippian gas field in south-central

T GAS & OIL LTD.

Alberta was purchased at the August 21st sale for a bonus of 2.73 million dollars. The initial test, Decalta et al Brazeau 6-3-46-12 W5M, is currently drilling at a depth of 7,100 feet, and further drilling is anticipated to evaluate the gas licence. The company interest is 10%.

In the Marlboro area, west of Edmonton, a farmee is currently drilling a Woodbend Reef test below 11,300 feet towards an estimated total depth of 12,500 feet. Upon completion of the well, CEGO's net interest will be 5% in the 1,760 acre farmout.

At Retlaw, an exploratory well in Lsd. 6-6-12-17 W4M was production tested and subsequently abandoned as non-commercial in the Lower Cretaceous sands.

Exploration – Foreign

CEGO is currently drilling a second exploratory well on North Sea block 21/2. Zapex 21/2-2, 6 km. east and north of the oil discovery was spudded September 29, 1975 and on October 31 had reached a depth of 10,500 feet. The well will be drilled to a depth of approximately 14,000 feet.

The seismic program in Kenya is progressing satisfactorily and should be completed by the end of November.

A four well program in the Denver Basin has been completed. No commercial production was encountered.

The Company is participating in an exploratory test in the North Park Basin, Colorado. The well, located in SE/NE Sec. 30 TION R74 W, Jackson County, spudded October 10 and was nearing objective horizon at the end of the month.

Paul C. Evans
President and
Chief Executive Officer

November 25, 1975

CONDENSED STATEMENT OF EARNINGS

	Quarter Ended October 31		Six Months Ended October 31	
	1975	1974	1975	1974
Oil, gas and sulphur sales, less royalties	$2,042,000	$1,255,000	$3,661,000	$2,500,000
Royalty income	60,000	69,000	114,000	129,000
GROSS INCOME	2,102,000	1,324,000	3,775,000	2,629,000
Production, administrative and general expenses	352,000	502,000	708,000	791,000
OPERATING PROFIT	1,750,000	822,000	3,067,000	1,838,000
Dry holes and abandoned properties	322,000	22,000	370,000	176,000
Acreage rentals and miscellaneous, net	69,000	53,000	134,000	83,000
EARNINGS BEFORE PROVISIONS	1,359,000	747,000	2,563,000	1,579,000
Provision for depletion and depreciation	199,000	162,000	388,000	323,000
NET EARNINGS BEFORE INCOME TAXES	1,160,000	585,000	2,175,000	1,256,000
Income taxes:				
Current	312,000	—	561,000	—
Deferred	52,000	229,000	84,000	490,000
NET EARNINGS	$ 796,000	$ 356,000	$1,530,000	$ 766,000
Net earnings per share	10¢	4¢	19¢	9¢

The above statement has not been audited and is subject to year-end adjustment.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six Months Ended October 31 1975	Six Months Ended October 31 1974
SOURCE OF WORKING CAPITAL:		
Net earnings	$1,530,000	$ 766,000
Add charges against earnings not requiring a current outlay of working capital:		
Deferred income taxes	84,000	490,000
Depletion and depreciation	388,000	323,000
Dry holes and abandoned properties	370,000	176,000
WORKING CAPITAL PROVIDED FROM OPERATIONS	2,372,000	1,755,000
DISPOSITION OF WORKING CAPITAL:		
Exploration:		
Land acquisition and exploration surveys	433,000	736,000
Wildcat and stepout drilling	524,000	199,000
Increase in work obligation deposits	20,000	11,000
Development:		
Drilling and equipment of wells	918,000	57,000
Gas gathering systems, plants and miscellaneous, net	446,000	131,000
WORKING CAPITAL USED	2,341,000	1,134,000
INCREASE IN WORKING CAPITAL	31,000	621,000
Working capital at beginning of period	770,000	1,015,000
WORKING CAPITAL AT END OF PERIOD	$ 801,000	$1,636,000

The above statement has not been audited and is subject to year-end adjustment.